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SM (ABS)

AAI - UDF - TVD
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Shri Sandeep Prakash
Secretary
Airports Economic Regulatory Authority of India
Room No. 58, B Block,
Rajiv Gandhi Bhawan,
New Delhi-110003

Subject: FIA submission on the proposal of AAI to Levy User Development Fee at Trivandrum International Airport – Consultation Paper No.05/2009-10 dated 26.03.2010.

Dear Sir,

Kindly refer to your D.O.No. AERA/20010/AAI-UDF/2009-10/767 dated 26.03.2010 subject to the proposal of AAI to Levy User Development Fee at Trivandrum International Airport – Consultation Paper No.05/2009-10 dated 26.03.2010.

The Federation of Indian Airlines an integral Stakeholder under AERA Act sincerely appreciates AERA for holding a consultation meeting with all the key stakeholders on the above mentioned subject in Trivandrum on 05.04.2010.

FIA believes in the fact that with all these meaningful and focussed deliberations amongst all the key Stakeholders under AERA Act would provide the necessary impetus required to the Indian Civil Aviation sector to grow in the years to come.

FIA is hereby placing on record the following response submitted which has been arrived solely from discussions, deliberations and past experiences for the consideration by the authority.

Enclosed are the following documents for your kind consideration.

- Submissions on behalf of Federation of Indian Airlines
- Data on UDF and the resulting NPV forecast for the next ten years.

Thanking you,

With best regards,

Ujjwal Dey

Ujjwal Dey

UDF with respect to Airport Authority of India (AAI) Managed Airports (Trivandrum)

While we commend the initiatives taken by the Govt. to modernize airports across the country, the sources of funding to meet the Capital outlay should take into consideration the following –

Prior to the Airport privatization program, the airports used to collect Passenger Service Fee (PSF) from all the embarking passengers, which used to be deposited in Single till i.e. AAI cross subsidizes Airports with low passenger base. In this manner, the servicing requirements of all the airports were met both from a revenue and capital expenditure perspective. However, consequent to the privatization of Airports at select metros, the collection of PSF from an AAI perspective would have declined considerably

While the State Support Agreement (SSA) entered into between MIAL/DIAL and Government of India. vide clause 3.1A clearly enunciates the basis of collection of PSF by MIAL and DIAL and its subsequent discharge after meeting the expenditure of CISF including procurement of arms and ammunition, the member airlines are desirous to know the status of the utilization of funds held in security component account, as payments by member airlines towards security component are being effected to the Airport operator instead of AAI as recorded in the SSA.

Further as the SSA vide clause 3.3.5 makes it obligatory on the part of the private airport operator to procure and maintain at its own cost all security systems and equipment (Except arms and ammunitions) as required by GOI/BCAS or its designated nominees from time to time, the member airlines are of the view that considerable reserves would have been built into the PSF (Security component account), which calls for reduction in levy. Additionally transfer of funds held by private operators in escrow account to the account of AAI should be mandated to meet the shortfall in funding the airport modernization program undertaken at Trivandrum, Jaipur, Chennai and Kolkata. In this manner, the funds held in PSF Security account are optimally utilized.

With Airline financials always under constant pressure from all quarters including rising Crude oil rates, intense competition both in the domestic and international segments, any such new levy will depress the already depressed yields leading to operational unsustainability

Further on the basis of data available with us, the collection of UDF from embarking international passengers at the rate of Rs. 750 per passenger over a ten year period works out to a Net Present Value of Rs. 461 Crores computed at 12% discount factor.

The levy proposed is therefore far higher than the capital outlay incurred to build the new terminal, necessitating revision in both quantum and period of recovery. Therefore, whatever UDF eventually gets implemented must be computed over a longer time frame in order to reduce the per pax impact.

It must also be kept in mind that TRV is a leisure destination in the domestic front and a low cost market for international carriers. Such charges considered together with CUTE charges etc., increases the operating cost for the Airlines.

We therefore request you to kindly take note of the above submissions and fix tariff in line with the need of the hour.

TRIVANDRUM
UDF

Rs. Crores

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
User Development Fee											
Domestic											
International	71.86	74.37	76.98	79.67	82.46	85.35	88.33	91.43	94.63	97.94	843.01
	71.86	74.37	76.98	79.67	82.46	85.35	88.33	91.43	94.63	97.94	843.01
Net Present Value at 12%	461.44										
Aircraft Movement (No's) - Departure's											
Domestic	15	15	16	16	17	17	17	18	18	19	
International	21	22	22	23	24	25	26	27	28	29	
	36	37	38	39	41	42	43	45	46	47	
Volume of Embarking Passengers											
Passengers (Million) Per annum - Domestic	0.44	0.45	0.46	0.47	0.48	0.50	0.51	0.52	0.53	0.55	
Passengers (Million) Per annum - Internationa	0.96	0.99	1.03	1.06	1.10	1.14	1.18	1.22	1.26	1.31	
	1.40	1.44	1.49	1.53	1.58	1.63	1.69	1.74	1.80	1.85	
No. of Passengers per Aircraft											
Domestic	80	80	80	80	80	80	80	80	80	80	
International	125	125	125	125	125	125	125	125	125	125	
	106	106	106	107	107	107	107	107	107	107	
ADF Rate											
Passengers (Million) Per annum - Domestic											
Passengers (Million) Per annum - Internationa	750	750	750	750	750	750	750	750	750	750	
Rate per Passenger (Average)	1,029	1,033	1,036	1,039	1,042	1,045	1,048	1,051	1,054	1,057	
Million equals to .	1,000,000										
Crore equals to	#########										
Growth Rate of Flights - Domestic	2.50%										
Growth Rate of Flights - International	3.50%										